2 Cheap Stocks for Your TFSA Dividend Fund

Description

Stocks markets are near all-time highs and that makes it harder for investors to find attractively valued stocks to add to their portfolios.

Fortunately, there are still stocks in the TSX Index that have strong business fundamentals and currently appear oversold. In addition, many pay reliable dividends that continue to grow.

Let's take a look at two stocks that might be interesting picks for your TFSA buy list today.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is a giant in the Canadian energy patch with a market capitalization of $44 billion. The company's size and financial might give it an advantage in the troubled sector.

CNRL is aggressive when opportunities come up to make strategic acquisitions. We saw this with the $3.8 billion purchase of Devon Energy's Canadian assets earlier this year. In 2017, CNRL bought Shell Canada's oilsands business for $12.7 billion.

The company tends to have a 100% ownership position in its assets, giving management the flexibility to move capital around to take advantage of changes in the oil and gas markets.

CNRL's diverse resource base includes oilsands, light crude, medium crude, and heavy conventional crude oil. The company is also Canada's largest independent natural gas producer and a leading natural gas liquids firm. International operations include offshore oil in the UK's part of the North Sea, as well as offshore Africa.

The third-quarter 2019 results delivered record funds flow of $2.9 billion. Operating costs were below expectation and production came in at the high end of guidance. Free cash flow was $1.5 billion, after considering capital expenditures and dividends.

CNRL does a good job of using excess cash to reduce debt, buy back shares and boost the dividend. The board raised the distribution by 12% in 2019 and another solid increase should be on the way in 2020.

The stock is up 25% from the August low, but still appears cheap. At the current price of $37.50 per share investors can pick up a 4% dividend yield.

CNRL traded as high as $48 in 2018. Any meaningful uptick in the price of oil could quickly send the share price back to that level.

Nutrien

Nutrien (TSX:NTR)(NYSE:NTR) is a global leader in the crop nutrients market, producing potash, nitrogen, and phosphate that farmers use to get better yield from their land.

The company was formed at the beginning of last year when Agrium and Potash Corp. merged. The combination brought together the strength of Potash's wholesale business and Agrium's growing retail business.

In the years leading up to the merger, both companies completed major capital projects to position the businesses for future growth. As a result, Nutrien has the modern facilities it needs to compete in the global arena. This means shareholders shouldn't have to worry about the company issuing large amounts of stock, or taking on significant debt to fund capital projects.

The stock has had a rough run in 2019. A wet spring in the U.S. and weak monsoons in India hurt crop nutrient sales. The recent strike at **Canadian National Railway** has put added pressure on the stock price.

At the time of writing, Nutrien trades at $62 per share, which is only 6.6 times trailing earnings. The stock was as high as $73 earlier this year.

Investors who buy Nutrien today can pick up a 3.8% yield. The company expects demand to rebound next year and that should put a new tailwind behind the stock.

The bottom line

CNRL and Nutrien are leaders in their respective industries. The companies pay attractive dividends and both stocks appear cheap today.

If you have some cash sitting on the sidelines, these stocks deserve to be on your TFSA radar right now.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:NTR (Nutrien)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:NTR (Nutrien)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/18
Date Created
2019/11/22
Author
aswalker